

**Final Order Denying Refund: 01-20200383R
Individual Income Tax
For the Tax Year 2019**

NOTICE: IC § 6-8.1-3-3.5 and IC § 4-22-7-7 require the publication of this document in the Indiana Register. This document provides the general public with information about the Department's official position concerning a specific set of facts and issues. This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Final Order Denying Refund.

HOLDING

Individuals failed to provide documentation supporting their position that the Department's proposed assessment of additional Indiana individual income tax was incorrect for the year at issue.

ISSUE

I. Income Tax -Federal Discrepancy Refund Reduction.

Authority: IC § 6-8.1-5-1; IC § 6-3-2-2; IC § 6-3-2-1; IC § 6-3-1-3.5; *Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480 (Ind. Tax Ct. 2012).

Taxpayers protest the refund reduction of Indiana individual income tax for tax year 2019.

STATEMENT OF FACTS

Taxpayers ("Married Couple") filed their Indiana tax return for tax year 2019 timely. On their return, Taxpayers claimed a refund of \$658. In August 2020, based on information from the Internal Revenue Service (IRS), the Department adjusted Taxpayers' 2019 return which resulted in a reduction of refund from \$658 to \$60. Taxpayers protested the refund reduction and waived their right to a hearing. Thus, this Final Order Denying Refund is based on the information available to the Department and provided in Taxpayers' protest file. Additional facts will be provided as necessary.

I. Income Tax - Federal Discrepancy Refund Reduction.

DISCUSSION

Due to an adjustment to Taxpayers' 2019 Federal income tax return, the Department adjusted Taxpayers' Indiana 2019 tax return, resulting in refund reduction. The Department reduced Taxpayers' refund. Taxpayers protested the reduction but waived their right to a hearing.

As a threshold issue, all tax assessments are *prima facie* evidence that the Department's claim for unpaid tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. IC § 6-8.1-5-1(c); *Indiana Dep't. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2011); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007). Consequently, the taxpayer is required to provide documentation explaining and supporting its challenge that the Department's position is wrong. Poorly developed and non-cogent arguments are subject to waiver. *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138, 1145 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480, 486 n.9 (Ind. Tax Ct. 2011).

Indiana imposes an adjusted gross income tax on all residents. IC § 6-3-2-1(a). A taxpayer's Indiana income is determined by starting with the federal adjusted gross income and making certain adjustments. IC § 6-3-1-3.5(a). IC § 6-3-2-2(a) specifically outlines what is income derived from Indiana sources and subject to Indiana income tax. For Indiana income tax purposes, the presumption is that taxpayers properly and correctly file their federal income tax returns as required pursuant to the Internal Revenue Code. Thus, to efficiently and effectively compute what is considered the taxpayer's Indiana income tax, the Indiana statute refers to the Internal Revenue

Code. IC § 6-3-1-3.5(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be their Indiana income tax after applying certain additions and subtractions to that starting point.

In August 8, 2020 the Department adjusted Taxpayers' 2019 Indiana income tax return based on information it received from the IRS. The Department then issued Taxpayers a result of the adjustment. On August 28, 2020, Taxpayers filed a protest of the refund reduction. Along with the protest letter, Taxpayers submitted a "Protest Submission Form" in which they opted to forgo an administrative hearing. In their protest letter they state that they filed their Federal Return correctly and that the Indiana income is what was reported.

The Department mailed Taxpayers a Line by Line change showing that the Federal Adjusted Gross Income was increased from about \$130,000 to roughly \$140,000. Taxpayers provided their Federal 2019 1040 but did not provide their Federal Record of Account Transcript. The Department changed Taxpayers' Federal AGI based on information from the IRS, thus Taxpayers' income was adjusted on a Federal level. This adjustment then flowed through to the Indiana AGI.

Taxpayers are required to provide documentation to support their position. Without Taxpayers' Federal Record of Account Transcript, the Department cannot begin to determine whether or not Taxpayers' original return was correct, as argued by Taxpayers. Thus, Taxpayers have failed to meet their burden under IC § 6-8.1-5-1(c). Taxpayers' protest is denied.

FINDING

Taxpayers' protest is denied.

November 24, 2020

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